

Operational Policy Letter #1

Department Of Health & Human Services

Health Care Financing Administration

Medicare Managed Care

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Issue:

A Health Care Prepayment Plan (HCPP) contracts with a physician group to provide Part B physician and supplier services. In the current case, the physician group agrees to provide services to the HCPP's Medicare beneficiaries in exchange for a capitated payment from the HCPP. The capitated payment methodology includes a 10% coinsurance which the physician group is responsible for collecting from the beneficiary.

Example: The physician group and HCPP agree on a \$100. capitation per Medicare enrollee for a given service. The HCPP pays the physician group \$90. directly and the group must collect a \$10. copay from the beneficiary.

Operational Policy Question:

Can the physician group waive the beneficiary copayment and accept the capitation received from the HCPP as payment in full?

Analysis:

This issue arises from Medicare's prohibition against routine waivers of coinsurance and deductibles for cost reporting purposes. The prohibition means, to use the above example, that the HCPP could not waive the 10% copay and still include it in the Medicare cost report. In the current case the physician group, which does not file a cost report with Medicare, is permitted to waive the copay and accept the capitated rate from the HCPP as payment in full. (The HCPP's cost report, however, should not reflect the copayment as having been paid.)

In a case where the HCPP is responsible for collecting the copayment, the amount the beneficiary is liable for could also be waived, so long as the amount waived is not included in the cost report as Medicare payment due the HCPP.

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